

Message Text

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44

ACTION NEA-09

INFO OCT-01 AF-06 EUR-12 ISO-00 CIAE-00 DODE-00 PM-03 H-02

INR-07 L-02 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02

OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 /099 W

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R 020808Z APR 75

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 2649

INFO AMEMBASSY ABU DHABI

AMEMBASSY AMMAN

AMEMBASSY BEIRUT

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS

AMEMBASSY OHA

AMEMBASSY JIDDA

AMEMBASSY KHARTOUM

AMEMBASSY RABAT

AMEMBASSY SANAA

AMEMBASSY TEHRAN

AMEMBASSY TUNIS

USMISSION OECD PARIS

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DEPT PASS TREASURY FOR ASST SECY PARSKY

DEPT ALSO PASS OTHER POSTS AS DESIRED

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SUBJECT: KUWAIT AID TRENDS

REF: KUWAIT A-20, FEBRUARY 23, 1975

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SUMMARY: PACE OF KUWAITI AID TO NON-ARAB STATES QUICKENING.

AS PROCESS DEVELOPS TRADITIONAL ARAB AID RECIPIENTS WILL HAVE TO FACE GREATER COMPETITION FOR TIME AND ATTENTION OF SMALL NUMBER OF OFFICIALS CONCERNED WITH DISPENSING AID. EGYPT, SYRIA, SUDAN AND OTHER ARAB STATES, HOWEVER, WILL CONTINUE TO HAVE FIRST CALL ON KUWAITI GENEROSITY. GOK THROUGH KUWAIT FUND FOR ARAB ECONOMIC ASSISTANCE WILL STRESS PROJECT LENDING, BUT SOME BALANCE OF PAYMENTS ASSISTANCE WILL ALSO QUIETLY BE GIVEN. SOME EVIDENCE EXISTS WHICH SUGGESTS LESS DIRECT FINANCIAL SUPPORT FOR IBRD AND SPECIAL IMF FUNDS THAN IN PAST. HIGHLY UNLIKELY THAT GOK WILL LINK OIL WITH ECONOMIC ASSISTANCE PROGRAMS. END SUMMARY.

1. RECENT VISITS BY SENIOR KUWAITI OFFICIALS TO ASIA, AFRICA AND LATIN AMERICA DRAMATIZE WORLD-WIDE SCOPE OF KUWAITI AID AND INVESTMENT ACTIVITIES. RECENT INVESTMENT AND AID ACTIVITIES AND LIKELY FUTURE TRENDS WERE DISCUSSED IN REPAIR, BUT BASED ON REPORTS WE HAVE BEEN RECEIVING FROM MANY POSTS, BELIEVE DEPARTMENT MAY WISH REPEAT FOLLOWING DISCUSSION KUWAIT AID TRENDS TO EMBASSIES IN LDC COUNTRIES FOR BACKGROUND US OFFICIALS WHO MAY FIND IT USEFUL IN DISCUSSIONS WITH HOST COUNTRY OFFICIALS.

2. BECAUSE OF THEIR POLITICAL AND/OR PERCEIVED POTENTIAL ECONOMIC IMPORTANCE TOP PRIORITY WILL BE GIVEN TO EGYPT, SYRIA, AND SUDAN, ALTHOUGH KUWAITIS, INCLUDING PRIVATE INVESTORS, FRUSTRATED BY LIMITATIONS OF ONE KIND OR ANOTHER AMONG THESE COUNTRIES TO ABSORB FUNDS. IN GENERAL ARAB STATES, INCLUDING OTHER CONFRONTATION STATES SUCH AS JORDAN WILL CONTINUE TO GET LARGE SHARE KUWAITI ECONOMIC ASSISTANCE.

3. NEVERTHELESS, INCREASINGLY, EVEN ARAB STATES WILL HAVE TO COMPETE FOR ATTENTION WITH AFRICAN, ASIAN AND PROBABLY EVENTUALLY LATIN AMERICAN STATES SEEKING ASSISTANCE FROM KUWAIT. ALREADY OVER HUNDRED MILLION DOLLARS OF PROJECT ASSISTANCE BEING EARMARKED FOR SPECIFIC PROJECTS IN UGANDA, TANZANIA, RWANDA, SOMALIA, WEST AFRICA (REGIONAL PROJECTS), SRI LANKA, AFGHANISTAN AND BANGLADESH. PRESENTLY KUWAIT FUND DIRECTOR ABD AL-LATIF AL-HAMAD IN MIDST EXTENSIVE SWING THROUGH ASIA, AND APPEARS THAT FAIRLY FIRM COMMITMENTS BEING MADE IN NEPAL, MALAYSIA AND PHILIPPINES. BECAUSE OF LIMITED OFFICIAL USE

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SMALL STAFF AT KUWAIT FUND, TIME SPENT ON AFRICAN AND ASIAN PROJECTS INEVITABLY WILL LIMIT TIME IT CAN SPEND ON REQUESTS FROM TRADITIONAL ARAB BORROWERS.

4. GOK CONTINUES TO PREFER TO CHANNEL BILATERAL ASSISTANCE THROUGH KUWAIT FUND WHICH IN TURN TENDS TO CONCENTRATE ON INFRASTRUCTURE PROJECT FINANCING. THERE ARE SIGNS, HOWEVER, THAT GOK WILL QUIETLY MAKE BALANCE OF PAYMENT LOANS IN CERTAIN

SPECIAL CASES. IN ADDITION TO ITS OBLIGATIONS UNDER KHARTOUM AND RABAT ARAB SUMMIT DECISIONS, WE HAVE BEEN TOLD OR HAVE SEEN APPARENTLY ACCURATE REPORTS THAT GOK HAS MADE BALANCE OF PAYMENT LOANS TO GUYANA, BANGLADESH AND SUDAN. OFTEN THIS IS IN FORM LONG TERM BANK DEPOSIT IN LOCAL BANK.

5. THERE IS SOME EVIDENCE WHICH SUGGESTS GOK LESS GENEROUS TOWARD IMF AND IBRD. TRADITIONALLY GOK HAS BEEN ONE OF THE LARGEST PURCHASERS OF WORLD BANK BONDS, AND GOK CONTRIBUTED \$480 MILLION TO ORIGINAL IM OIL FACILITY. BUT PUBLIC REMARKS BY MINISTER OF FINANCE ATEEQI AS WELL AS PRIVATE STATEMENTS BY OTHER KUWAITIS INDICATE INCREASING COOLNESS TOWARD COMMITTING LARGE AMOUNTS TO IMF AND IBRD. EVIDENCE NOT CONCLUSIVE, BUT CHANGE IN KUWAITI ATTITUDE COULD BE RELATED TO FEELING THAT GOK AND OTHER "NEW RICH" AID DONORS SHOULD HAVE GREATER VOICE IN IMF AND IBRD.

6. MEANWHILE, GOK WILL BE WILLING TO SUPPORT OTHER MULTI-LATERAL INSTITUTIONS SUCH AS ARAB FUND, ISLAMIC BANK, PROPOSED NON-ALIGNED FUND AND ARAB-AFRICAN INSTITUTIONS WHERE IT DOES HAVE IMPORTANT VOICE. THOUGH ITS TOTAL CONTRIBUTION TO THESE ORGANIZATIONS WILL BE LARGE, IT MAY NOT SATISFY RECIPIENT NATIONS. GOK UNLIKELY BE MOVED VERY MUCH BY THEIR COMPLAINTS, HOWEVER, SINCE FROM VANTAGE POINT OF KUWAIT TOTAL AID COMMITMENTS ARE QUITE LARGE. FYI SOME \$2 BILLION WAS COMMITTED IN 1974; TOTAL INCOME WAS NOT QUITE \$10 BILLION END FYI.

7. IN ADDITION TO TRADITIONAL ECONOMIC ASSISTANCE, GOK ENCOURAGING INVESTMENT, INCLUDING PRIVATE INVESTMENT, IN THIRD WORLD. INTER-ARAB INVESTMENT GUARANTY CORPORATION NOW ESTABLISHED AND BASED HERE. SEVERAL SUBSIDIARIES HAVE BEEN ESTABLISHED OR ARE ABOUT TO BE IN BRAZIL, AFRICA AND LIMITED OFFICIAL USE

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ASIA TO FACILITATE INVESTMENT WHICH KUWAITIS RECOGNIZE AS IMPORTANT ADJUNCT TO AID.

8. GOK FAIRLY WELL ALONG IN PURSUING BROAD RANGING ECONOMIC ASSISTANCE PROGRAM. IN GENERAL IT TAKING RATHER PATIENT, BUSINESSLIKE APPROACH IN WHICH POLITICS WILL PLAY MINIMAL ROLE. TO EXTENT RECIPIENT GOVERNMENTS CAN RECIPROCATATE, THEY LIKELY TO DEVELOP GOOD WORKING RELATIONSHIP WITH KUWAITIS, PARTICULARLY AL-HAMAD AND KUWAIT FUND.

9. COROLLARY OF GENERAL KUWAITI APPROACH IS THAT IT HIGHLY UNLIKELY THAT OIL SALES WILL BE ALLOWED TO BE PART OF AID DISCUSSIONS. NOR ARE KUWAITIS LIKELY TO BE INTERESTED IN DIRECT OIL FOR OTHER COMMODITY AGREEMENTS AS PART OF AID PROPOSALS.

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